NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

Producers 88 (4-89) — Paid Up With 640 Acres Pooling Provision 3 year lease for one lot

PAID UP OIL AND GAS LEASE (No Surface Use)

THIS LEASE AGREEMENT is made this day of 2009, by and between Encore Realty Company, L.C.., as Lessor (whether one or more), whose address is 1705 W. Northwest Hwy Ste 260 Grapevine, TX 76051-8117, and <u>DALE PROPERTY SERVICES L.L.C. 2100 Ross Ave Suite 1870 Dallas, Texas, 75201</u>, as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

0.408 Acres of Land, More or Less, Being Lot 1A, Block 12 of the Linwood Addition, an addition to the City of Fort Worth, Texas, more particularly described by metes and bounds in that certain Plat Map recorded in Volume 388-101, Page 244 of the Plat Records. Tarrant County, Texas.

in the county of Tarrant, State of TEXAS, containing 0.408 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith (including geophysical/seismic operations). The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

- 2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of three (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.
- 3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be Twenty-Five (25%) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be Twenty-Five (25%) of the proceeds realized by Lessee from the sale thereof, less a proportionate pan of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of either producing oil or gas or other substances covered hereby in paying quantities or such wells are waiting on hydraulic fracture stimulation, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be m
- 4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit in <u>at lessor's address above</u> or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the US Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

 5. Except as provided for in Paragraph 3. above, if Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewish, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant.
- 5. Except as provided for in Paragraph 3, above, if Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.
- 6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit whic
- 7. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.
- 8. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each

owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance

with the net acreage interest retained hereunder.

10. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized herewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder, Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

11. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas, and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable

for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor. a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or

part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said

judicial determination to remedy the breach or default and Lessee fails to do so.

14. For the same consideration recited above, Lessor hereby grants, assigns and conveys unto Lessee, its successors and assigns, a perpetual subsurface well bore easement under and through the leased premises for the placement of well bores (along routes selected by Lessee) from oil or gas wells the surface locations of which are situated on other tracts of land and which are not intended to develop the leased premises or lands pooled therewith and from which Lessor shall have no right to royalty or other benefit. Such subsurface well bore easements shall run with the land and survive any termination of this lease

15. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-n royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

16. Notwithstanding anything contained to the contrary in this lease, Lessee shall not have any rights to use the surface of the leased premises for drilling or other operations.

See Exhibit "A" attached hereto and made a part hereof.

DISCLAIMER OF REPRESENTATIONS: Lessor acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, are market sensitive and may vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor understands that these lease payments and terms are final and that Lessor entered into this lease without duress or undue influence. Lessor recognizes that lease values could go up or down depending on market conditions. Lessor acknowledges that no representations or assurances were made in the negotiation of this lease that Lessor would get the highest price or different terms depending on future market conditions. Neither party to this lease will seek to alter the terms of this transaction based upon any differing terms which Lessee has or may negotiate with any other lessors/oil and gas owners.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor

LESSOR (WHETHER ONE OR MORE)

ACKNOWLEDGMENT

STATE OF TEXAS COUNTY OF TARRANT

This instrument was acknowledged before me on the

31 day of May, 2001, by

Dennis H. Clark, President of Encore Realty Compan

TINA CHISHOLM COMMISSION EXPIRES JUNE 20, 2009

Notary Public, State of Texas Notary's name (printed): Ting Chishs (no Notary's commission expires: (a/20/99

EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease of Block 12, Lot 1A, Linwood Addition, City of Ft. Worth dated May 1, 2009 between Encore Realty Company L.C., as Lessor and Dale Property Services, L.L.C., as Lessee

ADDITIONAL PROVISIONS

- This lease is a non-developmental Oil & Gas Lease, whereby Lessee, its successors
 or assigns, shall not conduct any operations, as defined in the lease, on the surface
 of said lands. However, Lessee shall have the right to pool or unitize said tands, or
 part thereof, with other lands to compromise an oil and/or gas developmental unit.
- 2. It is expressly agreed that notwithstanding anything contained herein to the contrary, at the expiration of the primary term of this lease or at the completion of any well drilled pursuant to paragraph 4, whichever is the later, this lease shall nevertheless expire as to all acreage not dedicated to governmentally prescribed spacing units for each well capable of producing in paying quantities. However, if lessee has successfully completed one or more wells on the leased premises, the balance of the leased premises shall not expire and this lease shall continue with respect to such acreage if Lessee commences good faith operations for the drilling of an additional well within 90 days from the completion of a well drilled pursuant to paragraph 4, whichever is the later, and thereafter prosecutes operations on the leased premises with no more than 90 days elapsing between the completion of one well and the commencement of the next succeeding well. Each additional well drilled and completed shall earn from the balance of the leased premises the spacing unit prescribed for such well. Upon cessation of the continuous development program defined herein, this lease shall terminate as to all lands covered hereby save and except the governmentally prescribed units around each well as earned herein.
- 3. Notwithstanding anything contained herein to the contrary, after the expiration of the primary term of this lease or at the final completion of the continuous development provision as described in the above Provision 1, whichever is the later, rights under this lease shall terminate as to all depths 100 feet below the deepest producing horizon.
- 4. Lessee shall provide Lessor with a written release of those areas released horizontally and vertically, in a recordable form, within sixty (60) days after expiration of the primary term or at the final completion of the continuous development program, whichever is the later.
- It is specifically understood and agreed that this lease covers only oil, gas, sulphur and associated tiquid or liqueflable hydrocarbons, and this lease does not cover or include any other minerals, with all other minerals being reserved to the Lessor herein
- 6. Notwithstanding anything herein to the contrary, Lessee shall pay royalty on the higher of 1) fair market value when produced and sold, or 2) gross proceeds or value received (whether in money, goods, services or credits) for or in relation to the sale of oil, gas (including all its constituents) and other by-products produced and saved from the leased premises.
- 7. Any requirement that computation(s) determining royalty to be paid to Lessor which are specified in this lease to be made based on market value, value, price, proceeds or amount realized, (or similar or equivalent terms of or for the oil and/or gas at the mouth of the well, or at the well, is hereby amended to require that such computation(s) are to be made based on market value, value, price, proceeds, or amount realized, (or similar or equivalent terms) of or for the oil and/or gas at the point of delivery or sale. It is agreed that Lessee will pay, in addition to the royalty due Lessor calculated as specified immediately above, all postproduction costs including, but not limited to, the cost of producing, gathering, storing, separating, dehydrating, compressing, processing, manufacturing, transporting, interest, capital investment, and marketing the oil and/or gas produced hereunder. Lessee shall directly reimburse Lessor for any such charges or expenses made or charged to Lessor and withheld by a purchaser, by Lessee, or by others.
- No division order shall amend the terms of this lease. Failure on the part of the Lessee or its purchaser or assigns to pay royalties according to the terms of this lease or State law shall be considered a material breach of this lease agreement.
- Notwithstanding anything in this lease which might appear to the contrary, Lessee shall have no water rights in said land.
- 10. Lessee and his successors and assigns shall assume all liability for, and shall indemnify and defend Lessor from and against all claims for damages or action resulting from the activities or operations of the Lessee, his employees, representatives, agents, invitees, guests, contractors, sub-contractors or assignees, including but not limited to, personal or property damage and surface, sub-surface,

DHC

fresh water, treatable water or other pollution, and shall pay Lessor for all expenses incurred as a result of such claims, including but not limited to all legal expenses.

Lessee, its heirs, successors and assigns shall indemnify and hold Lessor harmless from all liability, including costs of whatever kind or amount, arising out of or resulting from failure to comply, whether through negligence or otherwise, with all applicable Federal and/or State environmental laws, including but not limited to RCRA and CERCLA (and as they may be reauthorized and/or amended), and all Federal and State laws, including the common law, in producing, generating, processing, handling, treating, storing, releasing or threatening to release, transporting, or disposing of all substances, including but not limited to hazardous substances and hazardous wastes, on or from the leased premises.

Lessee's indemnity also includes all liability arising out of or resulting from any failure to comply with Federal and/or State environmental laws, including but not limited to RCRA and CERCLA (and as they may be reauthorized and/or amended), and all other Federal and State laws, including the common law which apply to oil and gas exploration, drilling, development, production, treating, storage, disposal, transportation, marketing, processing, abandonment, and related activities at any site on the leased premises.

Lessee's obligations created by this paragraph 8 are continuing obligations, which will continue in effect and be enforceable by Lessor, even after the lease terminates or otherwise ceases to burden the leased premises.

- 11. This lease is executed without warranty of title, either express or implied. However, if Lessor owns an interest in the oil and gas in or under the leased premises less than the entire mineral fee estate, then the royalties and rentals to be paid Lessor shall be reduced proportionately as may be required by such lesser ownership. In the event of failure of Lessor's title, in whole or in part, Lessor's sole obligation shall be the return to Lessee of that portion of the bonus paid Lessor for the execution of this lease attributable to the acreage affected by such failure. Lessor shall never, under any circumstances, be liable to Lessee or a successor or assign of lessee for a failure of title to the leased premises.
- 12. On condensate and all other products separated, extracted or manufactured from gas produced from the leased premises by any extraction, absorption, pressuring or other plant belonging wholly or in part to Lessee or any affiliated or subsidiary company, one-fourth (1/4) of the value of all such condensate and other products so separated, extracted or manufactured, or at Lessor's option, one-fourth (1/4) of such condensate and other products in kind shall be delivered to Lessor at the plant outlet. In the event of the blending of any part of such condensate or other products with chemical additives for making any product therefrom, the royalty on such products, whether paid in kind or at value, shall be calculated at the plant outlet on the resulting blended product, less Lessor's proportionate share of the direct cost of such chemical additives.

The foregoing provisions (paragraphs 1 through 12) shall supercede and govern the provisions of the printed text of this lease whenever such printed form is in conflict herewith and will inure to the benefit of and be binding upon the parties hereto and their respective heirs, successors and assigns.

SIGNED FOR IDENTIFICATION

ENCORE REALTY COMPANY L.C.

Dennis H. Clark, President

DALE PROPERTY SERVICES, L.L.C.

By: Mike Talioferra

X Claim Scale as agent of late Property Services

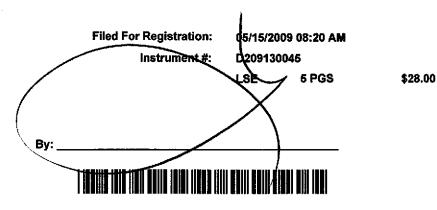


DALE PROPERTY SERVICES
ATTN: ANN VANDENBERG
2100 ROSS AVE, STE 1870, LB-9
DALLAS TX 75201

Submitter: DALE RESOURCES LLC

SUZANNE HENDERSON TARRANT COUNTY CLERK TARRANT COUNTY COURTHOUSE 100 WEST WEATHERFORD FORT WORTH, TX 76196-0401

<u>DO NOT DESTROY</u> WARNING - THIS IS PART OF THE OFFICIAL RECORD.



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ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

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